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C O N F I D E N T I A L SECTION 01 OF 02 LJUBLJANA 000551

SIPDIS

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TAGS: [ECON](#) [EINV](#) [PREL](#) [SI](#)

SUBJECT: SLOVENIAN MINISTER ON ADDRESSING THE ECONOMIC
CRISIS

REF: A. LJUBLJANA 550

[B](#). LJUBLJANA 516

[C](#). LJUBLJANA 496

Classified By: Amb. Yousif B. Ghafari, Reasons 1.4 (b,d)

Summary

[1](#). (C) At a December 15 meeting with the Ambassador, Mitja Gaspari, Minister without Portfolio responsible for European Affairs and Development, discussed the measures the government has proposed to avoid a recession (ref A). Gaspari, who heads up the government's Economic Crisis Task Force, said the government planned to enact three types of measures: 1) measures relating to financial institutions (largely done); 2) measures to decrease the cost of labor in order to increase those industries' competitiveness; and 3) measures to promote investment in new technologies. He focused on the worsening situation in Germany, Slovenia's largest export market, and noted that recent projections put Slovenia's growth close to or less than two percent, depending on Germany. He stressed that Slovenia needed to support and strengthen its export sector so it could survive the economic downturn. End Summary

Government Package to Deal with Economic Crisis

[2](#). (C) Gaspari told the Ambassador that the government's Economic Crisis Task Force had almost completed preparing the measures previewed by PM Pahor on December 8 (ref A). Gaspari grouped them into measures for financial institutions (already largely passed), the labor market, and industrial policy. The PM planned to meet with the Strategic Economic Council as well as other social partners such as labor unions to discuss the package before the government voted on it on December 19. Parliament would then consider the package at an extraordinary session called for December 22.

Economic Measures to Increase Competitiveness

[3](#). (C) Gaspari focused on a group of measures to decrease costs in labor-intensive industries, which were heavily affected by the crisis. The government would provide credit/medium-term loans to compensate employers for paying the social contributions as the main measure against cost pressures - "the most serious issue about competitiveness." Companies would have two years either to repay the loan or to give the government a stake in the company. The state would also pay the difference between a 32 hour work week and 36 hour work week, as long as certain conditions were met. Finally, the government would promote a more active employment program by retraining employees before they were

laid off.

Industrial Policy: Increase Incentives

14. (C) According to Gaspari, the third set of measures was designed to give companies incentives for higher value-added investment. The government would spend about 60 million euros in innovation. In addition to promoting investment in new technologies, as Gaspari previewed in an early November meeting (ref C), the government would use Slovenia's development bank (SID bank) to support exporters, especially to preserve the position of Slovenian exporters in eastern markets such as Russia and Serbia.

German Economy Has Biggest Impact on Slovenia

15. (C) Gaspari commented that these would be the initial actions of the government, which would then see what would happen given the worsening situation in Germany. He emphasized how Slovenia's economy depended on Germany and expressed concern that Germany's worsening situation would affect many of Slovenia's industries and the repercussions on Slovenia were still to be determined. He admitted that Slovenia had to be careful because its "fiscal capacity was limited." He complained that the government had inherited a deficit of about 1.6 percent because of actions by the previous government during its last 6 months in office. He indicated Slovenia would not exceed the Maastricht limits of a three percent deficit. He dismissed the idea of promoting large infrastructure projects, explaining that Slovenia's

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immediate problem was preserving the flexibility of and strengthening the exports sector, not promoting consumption.

Comment

16. (C) Gaspari seems to us to be the right person to head up Slovenia's Economic Task Force. He has the ability to synthesize all the material, put it in the big picture context, and the political clout to keep the government moving in the right direction.

GHAFAFI